GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4045
ANSWERED ON:22.08.2003
RATING BY STANDARD AND POOR
VINAY KUMAR SORAKE

Will the Minister of FINANCE be pleased to state:

(a) whether the international rating agency Standard and Poor has retained India`s sovereign rating at junk grade for the current year;

(b) if so, whether the report called for curbing the borrowings of both the Central and State Governmentswhich equal almost entire financial savings of the country;

(c) if so, whether an upgradation in the rating would call for implementation of VAT, better cost recovery in public utilities like power and a host of other measures; and

(d) if so, the Government`s response thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a): In June, 2003, Standard and Poors` (S&P)affirmed its `BB/B` foreign currency and `BB+/B` local currency sovereign ratings on the Republic of India with negative outlook.

(b) and (c) : While undertaking the review of ratings for the sovereign, the Agency, inter-alia, considers issues relating to external liquidity,structural strength, fiscal deficit, status of public debt and public finances etc.

(d) : Government is confident of the robustness of the economy. Government`s view is based on factors which, inter-alia, include declining average cost of market borrowings, better industrial and export performance, higher gross tax receipts, and record level of foreign exchange reservation.